

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
DISTRICT OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
Cash Receipts	
Disposition of Warrants not Timely on FIA-61	2-3
FIA-61 Log Reconciliation	3
Reconciliation of Daily Mail Record of Cash Receipts to Deposits	3
Security of Returned Treasury Warrants	4
Cash Disbursements	
Separation of Duties – Disbursements	4
Sign-O-Meter Record	4-5
Safe and Controlled Documents	
Controlled Document Log	5
Controlled Document Reconciliation – Preparer’s Supervisor’s Signature	5-6
Obsolete Controlled Documents	6
Designated Employee for Controlled Documents	6
Medical Transportation	7
State Emergency Relief	7
Client Processing	7
CIS/ASSIST	
MA-010 Reconciliation – Openings and Reopenings	7

MA-010 Reconciliation – Supplemental Payments	7-8
Security Officers Log Report (PD-180)	8
IRS Information Security	
Knowledge of IRS Security Procedures	8-9
IRS Data Control Sheet	9
Payroll and Timekeeping	
Payroll Record and Retention	9-10
Unsigned Timesheets	10
Procurement Card	10
Employment Support Services	10

INTRODUCTION

The Office of Internal Audit performed an audit of Lincoln Park District, Wayne County FIA for the period October 1, 2000 through September 30, 2001. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Lincoln Park District had 73 full time equated positions (FTE's) at the time of our review. Lincoln Park District provided assistance to an average 7,973 recipient per month during FY 2000, with total assistance payments of \$10,898,852 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Lincoln Park District documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Safe and Controlled Documents

State Emergency Relief (SER)

CIS/ASSIST

IRS Information Security

Procurement Card

Cash Disbursements

Medical Transportation

Client Processing

Employment support services

Payroll and Timekeeping

EXECUTIVE SUMMARY

Based on our audit, we concluded that the Lincoln Park District internal controls were not adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found numerous instances of noncompliance with FIA policies and procedures, some of which affect the office's internal control structure.

A follow up review of Lincoln Park District was conducted on January 8, 2002 to verify that corrective action was taken on the findings included in this report. We found that corrective action was taken for all except findings #6, #7, #16, and #17. The district office is taking steps to correct these items.

DISTRICT OFFICE RESPONSE

The management of the Lincoln Park District office is in general agreement with the findings in this report, and corrective action has been taken as noted above.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Disposition of Warrants not Timely on FIA-61

1. Lincoln Park District did not always dispose of returned warrants within 10 working days after notifying the worker, as required by Accounting Manual Item 462. Rather the District was holding the warrants and reminding the workers to determine the disposition. There was one warrant on hand at the time of our review that was received on July 20, 2001. Prompt disposition of returned warrants reduces the risk of loss or theft of those warrants.

WE RECOMMEND that Lincoln Park District dispose of all returned warrants within 10 working days after notifying the workers.

FIA-61 Log Reconciliation

2. The Lincoln Park District did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61. We also noted that the posting of disposition information to the FIA-61 was not up-to-date. Keeping the posting up to date facilitates the reconciliation process.

WE RECOMMEND the Lincoln Park District perform a weekly reconciliation of checks/warrants on hand to the FIA-61, and keep posting of disposition information on the FIA-61 up-to-date.

Reconciliation of Daily Mail Record of Cash Receipts to Deposits

3. The Lincoln Park District did not reconcile the Daily Mail Record of Cash Receipts for Deposits (FIA-4729), cash to be deposited and deposit advice to the Cash Receipts Edit Listing and validated bank deposit ticket. Accounting Manual Item 433 states that a cash reconciliation is to be performed to determine that all funds received either through the mail or over the counter are receipted and deposited.

WE RECOMMEND that the Lincoln Park District perform a reconciliation of cash received to the Receipts Edit Listing and validated bank deposit ticket from the bank.

Security of Returned Treasury Warrants

4. Lincoln Park District did not properly secure Treasury warrants, which were returned to the district office. We found that during the day these warrants were left in an unlocked file bag on a desk in the fiscal office. Accounting Manual Item 462 requires that returned Treasury warrants be kept in a locked strong box or cabinet with limited access during business hours. Restricting access to these warrants helps to prevent loss or theft of the warrants.

WE RECOMMEND the Lincoln Park District keep returned Treasury warrants in a locked strong box or cabinet during business hours.

Cash Disbursements

Separation of Duties - Disbursements

5. Lincoln Park District did not properly separate the cash disbursement duties. Our review disclosed that the employee who operated the check signer had access to blank checks and was involved in the cash disbursement process. Accounting Manual Item 410.1 states that for internal control purposes, the person responsible for signing the checks should be an employee independent of the cash disbursement function.

WE RECOMMEND that Lincoln Park District have an employee independent employee operate the check-signing machine.

Sign-O-Meter Record

6. Lincoln Park District did not prepare the Sign-O-Meter Record (FIA-4711), as required by Accounting Manual Item 410.1. Use of the Sign-O-Meter and

reconciliation process helps to ensure that all checks that go through the check signer are accounted for in the accounting records.

WE RECOMMEND that Lincoln Park District use the Sign-O-Meter record and reconcile it to the Check Register each month.

Safe and Controlled Documents

Controlled Document Log

7. Lincoln Park District did not properly control their inventory of bus tickets. We noted that the district did not have the Controlled Document Log (FIA-4070) up-to-date and did not complete the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) for bus tickets, as required by Accounting Manual Item 403. The last entry made on the FIA-4070 for ES bus tickets was August 28, 2000. Keeping the Controlled Document Log up-to-date and performing the monthly reconciliation process helps to ensure that loss, theft, or misuse of controlled documents would be detected on a timely basis.

WE RECOMMEND that Lincoln Park District keep the Controlled Document Log (FIA-4070) up-to-date and prepare the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) for bus tickets.

Controlled Document Reconciliation-Preparer's Supervisor Signature

8. The Lincoln Park District did not have the preparer's supervisor sign the Monthly Controlled Document Inventory and Reconciliation (FIA-4351), as required by Accounting Manual Item 403. Having the preparer's supervisor sign the FIA-4351 provides documentation that the supervisor reviewed the reconciliation to ensure its accuracy.

WE RECOMMEND that the Lincoln Park District have the preparer's supervisor sign the FIA-4351.

Obsolete Controlled Documents

9. The Lincoln Park District did not dispose of obsolete controlled documents. The unused Food Stamp Participation Cards (FIA-672) and Temporary Food Stamp Identification Cards (FIA-183A) are now obsolete due to Electronic Benefits Transfer (EBT), and should be destroyed in accordance with Accounting Manual Item 403.

WE RECOMMEND the Lincoln Park District destroy the unused FIA-672 and FIA-183A's as soon as possible.

Designated Employee for Controlled Documents.

10. The Lincoln Park District did not properly separate duties for handling controlled documents. We noted that the person who prepares the Controlled Document and Inventory Reconciliation (FIA-4351) also had access to the unused blank controlled documents in the safe, which remained open during the day. Item 403 states that the monthly inventory and reconciliation must be performed by an independent person who does not have access to the controlled documents.

WE RECOMMEND the Lincoln Park District assign the Monthly Controlled Document Inventory and Reconciliation to a person who does not have access to unused blank controlled documents in the safe.

WE ALSO RECOMMEND that the Lincoln Park District keep the safe locked when it is not in use.

Medical Transportation

No findings

State Emergency Relief

No findings

Client Processing

Findings verbally discussed regarding home calls and incomplete information on record.

CIS/ASSIST

MA-010 Reconciliation - Openings and Reopening

11. Lincoln Park District did not reconcile a sample of new case openings and reopenings listed on the MA-010 Report to the casefile documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. A sample reconciliation of openings and reopenings provides assurance that cases were opened by their assigned workers.

WE RECOMMEND that Lincoln Park district reconcile a sample of case openings and reopenings on the MA-010 Report to the appropriate documentation in the case file.

MA-010 Reconciliation - Supplemental Payments

12. The Lincoln Park District did not reconcile 100% of the Supplemental Payments listed on the Transaction Control Listing (MA-010) or the Supplemental Payment Report (SP-270) to the Supplemental Payment Authorization (FIA-13) and other

supporting documentation as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Instead, the analyst reconciled only the supplemental payments that were marked with an ampersand on the MA-010, and the supervisors and program manager did a cursory review of the SP-270 to look for any high payment amounts. Reconciling 100% of the Supplemental Payments helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND the Lincoln Park District reconcile 100% of the Supplemental Payments on the MA-010 or SP-270 to the FIA-13 documentation.

Security Officers Log Report (PD-180)

13. Lincoln Park District did not reconcile the Security Officers' Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter 97-063 requires the reconciler to compare this report to a signed Security Agreement to ensure that all changes are accurate. For internal control purposes, the reconciler must not be the CIS Security Coordinator, and must be someone without file maintenance capability on CIS.

WE RECOMMEND that Lincoln Park District have an independent person reconcile the PD-180 reports to the Security Agreements.

IRS Information Security

Knowledge of IRS Security Procedures

14. Mailroom staff, Family Independence Specialists (FIS) and Eligibility Specialists (ES) at Lincoln Park District were unaware of the proper procedures to follow for confidential information received from the Internal Revenue Service (IRS.) Program Administrative Manual (PAM) Item 803 states that local offices should ensure that their staff understands all aspects of the confidentiality laws. Staff understanding of

the laws is necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that Lincoln Park District provide staff with training on all aspects of the confidentiality laws for information received from the IRS.

IRS Data Control Sheet

15. The Lincoln Park District did not use the Internal Revenue Service (IRS) Data Control Sheet (FIA-4488) to record Unearned Income Notices (FIA-4487A) received at the District or retrieved off the IEVS system. Instead, the Designated Staff Person was immediately shredding any documents retrieved off the IEVS system. According to PAM 800, the DSP is to record any FIA-4487A's retrieved off the IEVS system on the FIA-4488 to track the form. The form and the Control Data Sheet can be shredded six months after the last entry on the FIA-4488. Completion of the FIA-4488 is necessary to document that the District is maintaining the confidentiality of information received from the IRS.

WE RECOMMEND the Lincoln Park District record all FIA-4487A's received on the FIA-4488 and follow the procedures outlined in PAM 800.

Payroll and Timekeeping

Payroll Record and Retention

16. The Lincoln Park District timekeeper maintained the certified copy of the Time and Attendance Summary Report (HR-332A). The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A, so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that Lincoln Park District have the certifier or someone other than the timekeeper retain the HR-332A.

Unsigned Timesheets

17. At the Lincoln Park District all the Time and Attendance Reports (FIA-4299) that were submitted by employees were not approved by the supervisors. The Primary Internal Control Criteria for Local/District Office Operations recommends that employees and supervisors sign the FIA-4299 to document employee and supervisory verification of hours worked.

WE RECOMMEND that Lincoln Park District require employees and supervisors to sign all the Time and Attendance Reports (FIA-4299).

Procurement Card

No findings.

Employment Support Services

No findings